

Monopoly Practice Problems

Multiple Choice

Identify the choice that best completes the statement or answers the question.

Scenario 1

A monopolist has a demand curve of $P = 500 - 5Q$ and a marginal revenue curve of $P = 500 - 10Q$. The firm's marginal and average costs are constant at \$100.

- ___ 1. **Refer to Scenario 1.** What quantity will the monopolist produce?
 - a. 40
 - b. 50
 - c. 80
 - d. 100

- ___ 2. **Refer to Scenario 1.** What price will the monopolist charge?
 - a. \$40
 - b. \$100
 - c. \$300
 - d. \$500

- ___ 3. **Refer to Scenario 1.** What will be the monopolist's total revenue?
 - a. \$4,000
 - b. \$8,000
 - c. \$12,000
 - d. \$20,000

- ___ 4. **Refer to Scenario 1.** What will be the monopolist's total costs?
 - a. \$4,000
 - b. \$8,000
 - c. \$12,000
 - d. \$20,000

- ___ 5. **Refer to Scenario 1.** What will be the monopolist's profits?
 - a. \$4,000
 - b. \$8,000
 - c. \$12,000
 - d. \$20,000

- ___ 6. **Refer to Scenario 1.** What is the deadweight loss?
 - a. \$4,000
 - b. \$8,000
 - c. \$12,000
 - d. \$20,000

Scenario 2

A monopolist has a demand curve of $P = 1,000 - 20Q$ and a marginal revenue curve of $P = 1,000 - 40Q$. The firm's marginal costs are $P = 10Q$, and the firm's average costs are $P = 5Q$.

- ___ 7. **Refer to Scenario 2.** What quantity will the monopolist produce?
 - a. 20
 - b. 25
 - c. 33.33
 - d. 50

- ___ 8. **Refer to Scenario 2.** What price will the monopolist charge?
 - a. \$1,000
 - b. \$600
 - c. \$200
 - d. \$100

- ___ 9. **Refer to Scenario 2.** What will be the monopolist's total revenue?
 - a. \$12,000
 - b. \$8,000
 - c. \$4,000
 - d. \$2,000

- ___ 10. **Refer to Scenario 2.** What will be the monopolist's total costs?
 - a. \$8,000
 - b. \$4,000
 - c. \$2,000
 - d. \$1,000

- ___ 11. **Refer to Scenario 2.** What will be the monopolist's profits?
 - a. \$12,000
 - b. \$11,000
 - c. \$10,000
 - d. \$6,000

- ___ 12. **Refer to Scenario 2.** What is the deadweight loss?
 - a. \$5,332
 - b. \$3,333
 - c. \$2,666
 - d. \$1,666

Monopoly Practice Problems Answer Section

MULTIPLE CHOICE

1. ANS: A
2. ANS: C
3. ANS: C
4. ANS: A
5. ANS: B
6. ANS: A
7. ANS: A
8. ANS: B
9. ANS: A
10. ANS: C
11. ANS: C
12. ANS: C